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THINKING IN TERMS OF MONEY THE CAUSE OF MANY FINANCIAL FALLACIES

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I took a solitary walk last Sunday in Rock Creek Park, and as I walked I began to ponder on what I had to say in this paper. The sun was warm and after a while I sat down by the bubbling stream on a rustic bench, when suddenly I saw approaching me one of the famous bankers who have taken service at the Treasury during the war. The fact that he was on foot has made me wonder since whether it was a dream. Fortunately I refrained from hailing him, for just then there appeared from the opposite direction a figure which I knew somehow to be King Solomon. He was not gorgeously arrayed and was evidently war-saving, but there was no mistaking the regal presence and the intellectual brow. My friend the banker—for some queer reason my memory fails now to identify him with any particular one of the several eminent bankers at the Treasury, so that in a way he seems to be an embodiment of them all—recognized King Solomon at once and called joyfully to him:

“My dear King: This is indeed a pleasure, you’re just the man I wanted to see. The perplexities of war finance and the problems which confront the United States Treasury are gigantic. We’re asked to find \$20,000,000,000 or more in a year, and we must borrow some \$12,000,000,000 to \$15,000,000,000 in the next eight or nine months. I simply don’t know how the money is to be raised. You were dead right, King, when you said that money is the root of all evil.”

“Good friend,” replied King Solomon, “you know more of banking than of Scripture, or you would know I never said that. I may indeed have said that matrimony is the root of all evil. It was in my own case, and I fancy that my mother’s first husband, the Hittite, must have felt the same. But let me suggest to you a new version of the proverb you misquote. It is this: ‘Thinking in terms of money is the root of most of your evils.’ I think you agree.”

"Solomon is always right," replied the banker with a bow. "Undoubtedly our problem is not merely, or even mainly to raise the money. What we want for carrying on our part in this great war for democracy against Tyranny."

"Pray do not consider my feelings," Solomon interrupted, "I'm a strong supporter of democratic principles now. They might not have worked in Jerusalem when I was there, but one of my reasons for meeting you today was that I hope that this war may be the means of bringing the blessings of liberty and justice to my poor old Jerusalem."

"No offense meant," said the banker. "What I was saying was that when we say we are asked to spend \$20,000,000,000 in the first year of the war, we really mean that we have to secure for the use of the United States government for war purposes, labor, materials, food, commodities and services such as those rendered by soldiers and sailors and by non-combatants too, in all sorts of ways; we have to secure goods and services (to use a convenient short phrase) which, valued in terms of dollars, represent \$20,000,000,000. The real problem is not so much to find the money as to find a surplus of goods and services to that amount available for the purposes of the government, over and above the goods and services which the 100,000,000 people of the United States are employing for their own private purposes. That's what you mean by your phrase about thinking in terms of money, isn't it?"

"You take my meaning exactly. And what I suggest to you as the only possible solution of your financial problems is that you should make the people of the country understand the state of the case. None of them understands what twenty billions of dollars means. You yourself probably don't go much beyond visualizing it as the figure twenty with the dollar sign before and followed by a comma and nine ciphers neatly divided by commas into sets of three. Meanwhile there's one of your friends in Wall Street who owns common stock in half a dozen sound American concerns, valued six months ago at market prices at say \$1,000,000 and now valued at \$700,000, who thinks he is ruined, and says the government has ruined him, and never stops to reflect that the stock in question represents a share in certain real things such as buildings, machinery and raw materials, which are probably not less valuable, and possibly more valuable (in terms of money at any rate) than they

were six months ago. And what's worse, some of your banker friends who ought to know better seem to think in the same slipshod way. Others cry that the great thing to do is to keep money circulating because it is good for trade—"business as usual." Other people cry out for conscription of wealth as a solution of all troubles, as if a house in Fifth Avenue or a bank in Chicago could be put on wheels and sent to France for use as a tank; or the Pennsylvania Railway Company's tracks could be torn up bodily and transported to Russia without anyone but the supposed millionaires who own them being any the worse."

"If you believe in democracy you are at any rate not a Socialist, I am glad to see," said the banker.

"Don't you be too sure, my friend," rejoined the King. "It depends on definition. But to continue, the thing to do is to get the people of this country to understand that money is merely a symbol, recognized by civilized people for their own convenience, as giving the owner of it for the time being a call on other people, the power of getting other people to work for him, the power to command goods and services which other people are able and willing to supply in order that by receiving a reward in money they may themselves have command of what they need for their daily sustenance and to keep a roof over their heads; or over what they desire to obtain for the sake of comfort and luxury. It is quite easy—as some of your friends the Socialists will gladly explain—to construct a theoretical state of society in which money would be abolished."

"No doubt it is," broke in the banker, "but would it work?"

"I did not express any opinion," was the reply. "But does not the fact that it is theoretically possible to dispense with money prove that money is merely a mechanical devise and nothing more, devised to keep a machine of a particular construction in easy working order?"

At this point King Solomon took a watch from his pocket and remarked that he could still spare a little time longer before starting off to advise the King of the Arabians on military matters. He suggested that they could continue their talk more comfortably seated, and I was a little alarmed when they made for my bench, which was not meant for more than two. Needlessly, as it proved; for in spite of King Solomon's ample proportions the small seat accommodated them both without my being so much as observed.

"King," resumed the banker, "that's a fine watch of yours, but I notice you wear only a common cord as a chain."

"The watch is an heirloom," Solomon answered. "It belonged to the Queen of Sheba's grandfather, and I could not get a tithe of its value if I sold it. But my heavy gold chain went more than a year ago to swell the gold at the Bank of France, and I gave the proceeds to relieve the Armenian sufferers."

The banker looked as if he would like to pay a tribute to this generosity, but stopped short; no doubt from a sense of reverence. Instead, he resumed the discussion with the words: "You do not, of course, suggest that we could or should supersede money in arranging the finance of the war?"

"Certainly not," was the reply. "But keep money and finance in their proper place as useful bits of machinery, and meanwhile go out to the people and explain the facts."

"That is a big undertaking," said Mr. Banker. "Do you think it is really worth while?"

"Surely, surely," said Solomon. "If you want to accomplish what you have set out to do that is the only possible method in this country. In Germany there has been no need to explain. The people have been dragooned into saving, if only by the British blockade which has forced the whole population to organize itself on a war basis. There, everyone has to serve in such a way as the Junkers think most likely to help them in conducting the war, producing all he or she can, and consuming only what is absolutely essential to keep body and soul together, and sometimes less. In France and Italy, and to some extent in Great Britain, similar necessity has been at work, and this has been reinforced on one side by continual lessons and appeals for patriotic self-denial, and on the other by drastic legislation prohibiting the import and manufacture of anything that could be done without. Nearly everyone in these countries has realized this truth. Do you not remember the Song of the Pennies, which the children sing in England?

With five pounds the cost of a rifle
Why, what can a poor penny do?

And then the chorus, in which Sergeant Shilling joins:

We are each small enough, it is true;
There's little a penny can do;
But a cartridge to fire from a rifle
Is just what a penny can do!

All over the world the children learn this truth at once. Last Christmas Mr. Lloyd George received a letter from Arizona which said: "Please sir, Peggy is eight and baby is five, and I am ten, and we should like these five dollars to be used to give some of the poor suffering people in England a happy Christmas." There was a further note from their mother: "This is entirely their own idea. Their uncle gave them a dollar each to buy themselves Christmas presents, and they have saved the other two." And next to the children the working girls have been the quickest to learn. The mill worker of Milan, the midinette of Paris, the munition worker in London have been among the first to see how they can help. Each of them has worked harder and earned money, not to spend on herself, but to lend to her country, so that the government may have the wherewithal to buy cartridges and hand-grenades to protect the lives of their boys at the front. Many of them have understood well enough that the money they lent to the nation came back to them as wages to pay for the cartridges they were making, and that by not spending it on themselves they were setting labor and materials free to be used to help on the war. Do you remember the poster advertising the British War Savings Certificates? "One hundred and twenty-four cartridges for 15s. 6d, and your money back with compound interest!"

"Yes," said the banker, "I've seen specimens of that poster, and it certainly concentrates the appeal for savings into a very compact and alluring sentence. We're thinking of issuing something on the lines of those British War Savings Certificates here."

"An admirable plan" was Solomon's comment. "I congratulate you. These hectic liberty loan campaigns, whirlwind weeks during which every art is employed to make everyone eat and drink and work and play and dream to the tune of 'Buy a Bond' are wonderful events, and by the way I must congratulate the Treasury through you on its remarkable achievements this last month. But these campaigns have their disadvantages."

"That's so," said my friend the banker, with conviction. "They use one up terribly and they upset the market a good deal."

"I was not thinking so much of that," answered King Solomon. "You mention some of the objections, but the main disadvantages, to my mind, are that they encourage people to think in terms of money, and as soon as the campaign is over people settle

down to their old habits of extravagance. What I like about the War Savings Certificate is that the campaign goes on continuously and involves something deeper than a passing emotion. People get the habit of daily saving and the incentive to go on saving, because there is always a form of war loan which they can buy, and there is no temptation to borrow money to subscribe, and then forgetfulness to save to pay off what was borrowed. But my time is nearly up. Let me tell you a story before I go. You remember the victory loan campaign in Great Britain last January and February, when \$5,000,000,000 of new money was raised (after two and one-half years of war) quite apart from the fact that some \$1,500,000,000 to \$2,000,000,000 of three- to five-year bonds were converted into long-term loans. (I must begin by apologizing for the misuse of language in this story. It arises from a habit I have of accurately reproducing conversations.) One evening Robinson, a war loan worker, was sitting in his club after a hard day's work, when an acquaintance of his, Smith, came up and introduced a third man, Jones. Robinson knew Smith to be on the stock exchange and gathered that Jones was also a member. He knew nothing of their monetary position. The talk soon turned to the war loan and Smith remarked that he had not made up his mind yet what he would do. He had, he said, taken £10,000 of the four and one-half per cent war loan in July, 1915, and been badly stung—a slang term which implies that his investment had not been wholly satisfactory. So I judge from Robinson's rejoinder, that a man who had invested in that loan had no need to complain, as he could now convert it into the new loan on very satisfactory terms. 'Yes, I know,' said Smith, 'but I got so sick with the way the bally thing fell, and the idiotic government did nothing to help, that I sold it and bought some American rails, and now the robbers are commandeering these; and I've two sons at the front, too. There's no gratitude in these confounded politicians.' By this time Robinson was fairly roused and he proceeded in half an hour's patient exposition and exhortation to give a masterly display in securing a difficult subscriber. In the end Smith seemed deeply impressed. 'I never saw it in that light,' he concluded, 'and I'm hanged if I won't take £50,000. I'll have to borrow the lot at my bankers', and I've an overdraft already, but from what you say I think I can square them.'

"All this time Jones had said little, though he had seemed to be listening attentively. Flushed with his success with Smith, Robinson now turned to Jones. But he could get nothing more out of him than that he had considered all the means available to him and had reluctantly decided that he could not subscribe.

"Six months later in the same club Smith and Robinson met again. 'You made a fine fool of me that night,' said Smith. 'Just let me tell you what a mess you got me into. I've had the most ghastly day of my life today. I was offered a half share in a partnership to develop a new ruby mine 'somewhere in Asia.' It's the chance of a lifetime. Only £100,000 wanted. We can't float a company till after the war because this sickening government won't let anyone issue new capital unless it chooses in its wisdom to say the issue will help to win the war. Well, I said I was on, and I went over to my bankers to arrange things when the manager said he was sorry but he couldn't increase my overdraft, and had the cheek to suggest that I ought by now to have paid off some of what they lent me to take up your blessed loan. He wouldn't lend me money on any of my other securities without being told what I wanted it for, and when I told him he said that the bank could not advance money which was to go abroad, or for a purpose which was so obviously not necessary for winning the war. And then, not content with these insults, he proceeded to suggest that people with much smaller means than mine had succeeded in paying off very big sums borrowed for subscribing to the loan, and would I please consider the matter seriously. I was so angry that I told him to sell the bally war loan for what it would fetch and be done with it. He didn't like it, he said, but if I was really determined to forget that we were at war it was probably the best thing I could do.

"By this time I was so infuriated that I said I would close my account and find a bank where the managers were gentlemen, or at least taught to behave like gentlemen. I went straight across to my friend Brown—you know the bank. Well, I'm hanged if Brown didn't tell me that he thought my bank had been remarkably patient—that in any case he could not help me, as the London banks had agreed not to take customers from one another if the reason for the change of bankers was that a customer had failed to get accommodation for a purpose which was obviously not useful to

the war. So here I am absolutely dished. I've had to say I can't go half shares in this show, with the result that the whole thing's off. I've quarrelled badly with my bankers, and altogether I'm in a fix. Coal's a staggering price and I've just added two new palm houses to the glass I have to keep going. I've two sons in the army, and I might at least claim that amount of luxury. Incidentally I've only managed to keep my head gardener, who thinks he ought to enlist, by threatening to turn his wife out of his cottage if he does. He's forty-five and has two sons at the front and ought to be ashamed of himself; and with the wages I'm paying him he's a regular millionaire. Why he told me he'd got over sixty War Savings Certificates now. Well! you deserved this tirade, you know, as you're the scoundrel at the bottom of it all. I must be off now, as my son's coming up from Aldershot, and we're going to paint the town red to drown our troubles. So long.'

"Scarcely had Smith gone, when Robinson saw Jones approaching. He tried not to be seen as he thought that he couldn't bear to talk with another of his failures that day. But Jones made his way quickly to him. 'Hullo, Robinson,' he began. 'I suppose you're not particularly anxious to renew my acquaintance after the way I met your war loan appeal. The fact is you made me feel thoroughly mean that night but I couldn't help myself. I've something better to tell you today, and that's why I've ventured to speak to you. I'd have liked to do it before but I didn't have the courage. The fact is I used to have a pretty good business in the American department of the stock exchange, but that's gone altogether because of what the government—quite rightly, of course—had to do about American securities. Then just when I was hoping to get our house let so that we could move into a cheaper one, our two boys got killed on July 1, 1916, the first day of the Battle of the Somme. The shock was too much for Mrs. Jones and she had a complete nervous breakdown, and we had to have two nurses in the house and no end of expense for special treatment and specialists—though I must say my doctor has been a brick about his own account. The result was that last February I had got rid of practically all my capital except the 4½ per cent war loan I'd bought, and I had an overdraft of nearly £600 at the bank. I was earning something at the Ministry of Munitions where I had got a really useful job. But I had refused to take anything much by way of

salary when I had enough without and I didn't think it fair to make the country pay because of my new troubles. Thank goodness things are quite easy now. My wife's recovered. We've shut up all but two rooms in our house, and my wife's as happy as can be in saving for the sake of the other mother's sons. She's a great woman, though I say it that shouldn't. And you've no idea how jolly it is. The wife got places for two of the maids at the munitions factory near us and sometimes they drop in to tea with us on Saturdays and tell us about their work and talk of what they'll do when the war's over. Did I tell you that the wife's promised to have them back? And the kitchen maid's working as conductor with the omnibus company, and she and I have a chat sometimes when I happen to come down to work on her 'bus. Well, the result of it all is that I've paid off the bank overdraft and they've lent me enough to buy £500 of your war loan in the market, and that's partly paid off, and all of us, Mrs. Jones and our old servants and I, are members of a War Savings Association in our neighborhood and we're piling up War Savings Certificates. So I feel that I can look you in the face again. . . . Eh well, so long! It's good of you to say such nice things of our small efforts, but we're really trying to help, you know.'

"Robinson's effort to restrain Jones from flying from his praises proving vain, he sat for awhile and pondered on the two cases.

"But I need not tell you his conclusions.¹ I'm afraid my story's rather long already," said Solomon. "And now I fear I must hurry

¹ As neither King Solomon nor the banker explained the conclusions to be drawn from the two cases, I do so, though with diffidence. I suppose they would be something like the following:

Smith had at best merely put his own and his banker's credit at the disposal of the government on false pretences for a few months during which someone else (such as Jones) had been able to build up new savings with which to replace the gap left when Smith sold his loan. More probably he had compelled the government to find £50,000 in June to wipe out (by means of the special war loan depreciation fund) the fictitious credit based as it proved on no real goods and services, which Smith in a moment of shallow emotion had allowed the government to build upon.

On the other hand, Jones in six months had:

1. Saved £600 to repay his bank, thereby
2. Setting goods and services to that amount free for the government
3. Undertaken to save a further £500 and already saved part of it

off or I shall be late in Arabia. The connections are not good, I find, in these days though I'm glad to say that Beersheba Junction is open again. Goody-bye, my friend."

And with that he vanished, and the banker somehow disappeared too. But I noticed that a fly leaf had dropped from King Solomon's pocketbook, and when I picked it up I found it covered with all sorts of odd sentences in a minute handwriting, of which I quote a few:

"He that gathereth not scattereth abroad."

"Every dollar saved helps twice, first when it is saved and again when it is lent to the nation."

"Millions in the belligerent lands have for the first time an opportunity of laying by a little capital. It is the chance of generations. Will they not take it? They help their country and themselves by saving."

"If man would but learn the duty of right spending, he would learn the greatest pleasure in the world."

There were other sentences also which I did not decipher. But I particularly noticed that on each side of the fly leaf there was printed in red letters a sentence which evidently appeared in a similar place on each leaf of the note book from which it came, and the sentence was this:

"Where there is no Vision the People perisheth."

4. Lent the £500 to the government for war purposes on the security of his intention to save, backed by the bank's credit, thereby
5. Giving the government command over goods and services to the full extent to which the self-denial of the Jones family was setting goods and services free, and
6. Had evidently been exercising an untold influence for good in aiding others to find fit places in a nation organized for war.

B. P. B.